



PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

May 22, 1997

**First Tennessee Bank, N.A.
Charter Number - 336
167 Madison Avenue
Memphis, Tennessee 38101**

by

Office of the Comptroller of the Currency
Southeastern District
Marquis One Tower, Suite 600
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Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Financial Supervisory Agency concerning the safety and soundness of this financial institution.



General Information

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Tennessee Bank, N.A., Memphis, Tennessee, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination concluding May 22, 1997. It does not reflect any CRA related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. §2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with the examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve the application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based upon a review of twelve assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

Assignment of Rating

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.



Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Bank Profile

First Tennessee Bank, N.A. (FTB), is a subsidiary of First Tennessee National Corporation (First Tennessee), a \$13 billion multi-bank holding company. First Tennessee is the largest banking company in Tennessee. It is headquartered in Memphis, Tennessee, and owns banks and other financial institutions in Arkansas, Mississippi, and Tennessee. First Tennessee Mortgage Company is located in Dallas, Texas and has offices in 20 states.

FTB has total assets of approximately \$12 billion and has 145 full service branch offices. FTB provides financial services in 6 of the 7 Metropolitan Statistical Areas (MSA), consisting of 19 counties within the state. As of December 31, 1996, FTB had total loans of approximately \$8 billion, (66% of assets) centered in family residential real estate, commercial, and consumer loans.

The following table details FTB's 19 delineated communities and its relative size compared to other financial institutions. It also details the percentage of FTB's deposits among the six MSAs. FTB is the largest financial institution within the Johnson City, Knoxville, and Memphis MSAs. They rank from the second largest to the fifth largest financial institution within the other three MSAs. FTB's largest presence is within the Memphis MSA.



First Tennessee Bank, N.A. Deposits by MSA As of 12/31/96				
MSA	Delineated Communities (Counties)	% of FTB Deposits within each MSA	FTB's Deposit Market Ranking Among all Financial Institutions	FTB's Deposit Market Share with each MSA
Chattanooga	Hamilton	11%	2nd	19.80
Jackson	Madison	2%	4th	16.20
Johnson City	Hawkins, Sullivan, Unicoi, Washington	11%	1st	22.99
Knoxville	Knox, Blount	19%	1st	29.15
Memphis	Shelby	40%	1st	29.20
Nashville	Davidson, Rutherford, Sumner, Williamson, Wilson	9%	5th	5.82
Counties not located in a MSA	Hamblen, Greene, Dyer, Jefferson, Putnam	8%	1st to 3rd	19% to 29%

Community Profile

Based on the 1990 U.S. Census data, the population for the entire state of Tennessee was 4.9 million, with a 16% of households living below the poverty level. The state's population is centered in the Shelby, Davidson, Knox, and Hamilton Counties. 27% of all census tracts within the state are low- and moderate-income census tracts. The population of the above 19 counties is approximately 3.0 million, with 14% of households living below the poverty level. 33% of the census tracts within these 19 counties are considered low- and moderate-income census tracts, which is moderately above the percentage for the entire state. The percentage of low- and moderate-income families for the bank's delineated communities is 37%..

As of 09/96, the State of Tennessee's unemployment rate was 4.7%. Employment is expanding at a steady pace. Leading industries in employment are the services sector, manufacturing, retail, and government. Additional demographic data for FTB's delineated communities is detailed in the Additional information section of this evaluation.

Methodology for CRA Assessment

The last Community Reinvestment Act examination for First Tennessee Bank, N.A. (FTB) was conducted by the Office of the Comptroller of the Currency as of April 27, 1995. This public evaluation covers a time period from May 1995 to April 21, 1997 and considers information from FTB and non bank affiliates.



Discussion of Institution's Performance

Institution Rating:

Based upon the findings presented below, this institution's record of meeting its community's credit needs is rated “**Satisfactory record of meeting community credit needs**”.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A.) Activities conducted by the institution to ascertain the credit needs of its community including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Conclusion:

- **FTB has effectively determined the credit needs of its' delineated communities, including low- and moderate-income areas, and has responded proactively to these needs.**

Bank directors, officers and employees at all levels have ongoing contacts with a wide range of groups and individuals to ascertain community credit needs. FTB uses an active officer call and community outreach program as the primary method to ascertain credit needs. Also, each delineated community has a consumer advisory group consisting of individuals that represent a cross section of the community. This ongoing contact with civic, religious, political, small business and minority leaders in the various regions has helped to effectively ascertain the credit needs of their respective communities.

The primary credit needs continue to be affordable housing, home improvement, small business and small dollar consumer loans. Other banking needs were identified as budget management, credit counseling, home buying seminars, and small business counseling. These community needs were verified by a review of prior community contacts, economic and demographic data, and Consolidated Strategies and Plans submitted to U.S. Department of Housing and Urban Development for several delineated communities. Consolidated Strategies and Plans are comprehensive planning documents developed by the respective communities that identify community credit needs for affordable housing and other related services and activities.

Each delineated community has a designated CRA Coordinator that is responsible for coordinating officer call and community outreach contacts in their respective communities. Information from these contacts as well as the level of lending in each delineated community is forwarded to FTB's CRA Officer for his review. This information is also provided to the CRA Action and Executive Committees that use this information to address identified credit needs.



The Board of Directors and management have been proactive in addressing community credit need. FTB offers several loan products with flexible lending criteria to help make credit more widely available throughout its communities. Examples of these products include affordable home mortgage loans and small business loans (First Resource Line). The characteristics of these loan programs are discussed in more detail under Assessment Factor I. On a periodic basis, management reviews local demographic data in relation to the bank's lending activities. Areas with a low volume of loans are targeted for increased marketing and outreach activities.

Assessment Factor C) Extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Conclusion:

- **CRA is an integral part of the Board's planning process and banking philosophy.**

The bank exercises oversight of CRA policies and procedures through frequent meetings of the Executive and CRA Action Committees. The Executive Committee consists of Board members and is responsible for reviewing and approving CRA matters. The CRA Action Committee, which consists of senior bank officers is responsible for developing and implementing CRA policies. A written, comprehensive CRA action plan has been developed by these committees for each of the bank's nineteen delineated communities. The Board of Directors receives progress reports on CRA activities on a quarterly basis. The bank also performs a limited self assessment of CRA activities on an annual basis.

Directors, advisory directors, and senior management actively participate in a variety of organizations that assists the bank in improving its delineated communities. Examples of these organizations include The Mid South Minority Business Council, Memphis Empowerment Zone, The United Way, Habitat for Humanity, Chambers of Commerce, and various other organizations that promote affordable housing and economic development and redevelopment activities.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B) The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Conclusion:

- **The bank has implemented sound marketing and advertising programs. These programs inform all segments of the bank's delineated communities of available loan products, including those developed to meet identified credit needs.**

FTB's written marketing plan is developed on an annual basis and is approved by the Board of



Directors. Market penetration reports and audience profiles are used when developing specific marketing strategies. FTB advertises specific credit products through local newspapers, radio, television, and billboards. Several of the bank's advertisements are specifically targeted to low- and moderate-income individuals. In 1995 and 1996, FTB's product specific advertising featured small business, home improvement, home purchase, and consumer purpose loans. FTB uses the services of a marketing agency to ensure its loan products are effectively penetrating target markets.

The bank's participation in local community organizations also affords them a good opportunity to market available credit products. FTB has conducted Budget and Credit Workshops throughout its delineated communities. These workshops were designed to provide low- and moderate-income individuals information on how to manage their personal finances and provide information on the necessity of establishing and maintaining a good credit history. FTB also sponsored consulting programs called H.O.M.E. The H.O.M.E. program is operated by local Realtors and informs low- and moderate-income individuals of the home ownership process.

Assessment Factor I) The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Conclusion:

- **The bank and First Tennessee Mortgage Company has undertaken efforts to address identified credit needs. Lending levels reflect a good responsiveness to the most pressing needs.**

FTB offers a wide range of credit products in response to identified credit needs. These products include consumer purpose, residential real estate (home purchase, home refinance, home improvement, and multifamily), small business, commercial, and agricultural loans.

In 1996, 66% of all residential real estate loans originated or purchased by FTB were made within its delineated communities. Approximately 99% of all loans made by First Tennessee Mortgage Company within the state of Tennessee were made within the bank's delineated communities.

As the following table indicates, FTB originated or purchased a significant number of residential real estate loans in 1995 and 1996. Bank management indicated the significant increase (20%) in the total number of residential real estate loans from 1995 (7,027) to 1996 (8,435) is attributed to increased advertising and marketing campaign initiated by FTB in 1996 and favorable mortgage interest rates. The increase in the number of small business loans is attributed to FTB's strategic decision to emphasize small business lending. The First Resource Line loan program (described later in this evaluation) was an example of the strategic thrust.

Table 1 - TOTAL LOAN ORIGINATIONS AND PURCHASED



	1995		1996	
	Number	Loan Amt. (000)	Number	Loan Amt. (000)
Home Purchase Residential Loans	4,891	\$421,199	5,542	\$489,122
Home Refinance Residential Loans	1,583	126,515	2,397	202,182
Multi-Family Residential Loans	6	511	8	637
Home Improvement Residential Loans	547	16,118	488	11,605
Small Business Loans	2,195	245,033	3,733	412,372
Small Farm Loans	94	12,099	73	5,578
Totals	9,316	\$821,475	12,241	\$1,121,496

In response to an identified need for affordable housing, FTB offers mortgage loans through its Neighborhood Revitalization Program (NRP) and the Knoxville Community Home Purchase Loan Program (Knoxville CHPLP). Both programs are available only to individuals who reside in low- and moderate-income census tracts or are considered low- and moderate-income individuals.

- The NRP loan program was developed to make affordable home purchase and improvement loans more accessible to individuals. The appraised value for both home improvement and home purchase loans must be \$50,000 or less. The Home purchase loan product features no minimum loan amount, 97% financing, and an interest rate discount of up to 1% to eligible borrowers who would not otherwise qualify for the requested loan amount. The home improvement loan product features a minimum loan amount of \$1,500, maximum loan amount of 80% of the appraised value, and an interest rate discount of 1% to all individuals approved for a loan.
- Knoxville CHPLP is only offered to individuals residing in the Knoxville area. The program features no minimum loan amount, repayment period of up to 30 years, no points or origination fees, and minimal cash down payment (lesser of \$750 or 3% of purchase price).

Since January 1995, FTB originated a total of 226 (\$9,255,000) and 88 (\$4,149,000) NRP and Knoxville CHPLP loans, respectively. These totals are included in the above table.

An additional loan program that FTB developed was the First Resource Line. This program helps to meet an identified credit need of small businesses owners. The program is targeted to businesses with annual sales of less than \$200,000. The program features an unsecured line of credits of up to \$35,000 to qualified borrowers and a 24 to 48 hour processing time upon receiving a completed loan application.

Loan proceeds can be accessed through either a checking account or credit card. Since FTB established the First Resource Line in 1996, the bank originated approximately 850 lines of credit for a total of \$22,011,000.



Assessment Factor J) The institution's participation in government-insured, guaranteed or subsidized loan programs for housing, small businesses, or small firms.

Conclusion:

- **In response to identified credit needs, FTB actively participates in government insured, guaranteed, or subsidized loan programs for housing, small business, and education.**

FTB participates in the following government loan programs: Federal Housing Administration (FHA), Veteran's Administration (VA), Federal National Mortgage Association (FNMA), Tennessee Housing Development Agency (THDA), Small Business Administration (SBA), and Stafford Government Student Loan Program. The chart below summarizes FTB's lending activities as it relates to government guaranteed, insured and subsidized loan programs.

Table 2 - GOVERNMENT GUARANTEED LOAN ORIGINATIONS AND PURCHASES				
	1995		1996	
	Number	Loan Amt. (000)	Number	Loan Amt. (000)
Government Guaranteed and Insured Loans for Housing (FHA, FNMA, and VA)	2,040	\$139,989	2,351	\$175,652
SBA Loans	31	4,554	35	4,771
Tennessee Housing Development Agency	532	24,811	360	17,000
Student Loan Programs	33,735	57,136	27,626	46,246
Totals	36,336	\$226,490	30,372	\$243,669

THDA loans are designed for low- and moderate-income individuals who are first time buyers. In 1996, FTB originated 360 THDA loans and was recognized by the Tennessee Housing Development Agency as its largest lender. In 1995, FTB was ranked second in the level of student loans made by banks in the state of Tennessee.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Communities



The bank's delineated communities meet the purpose of CRA and do not arbitrarily exclude any low- and moderate-income areas. The nineteen counties that comprise the bank's delineated communities were previously detailed in the Bank Profile section of this evaluation.

Assessment Factor E) The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion:

- **FTB's and First Tennessee Mortgage Company's lending pattern of residential real estate loans reflect a reasonable distribution of loans within all segments of their delineated communities.**

The bank has established procedures to analyze the geographic distribution of extensions of credit and applications for residential real estate loans. This documented analysis is performed annually and is used by management when developing marketing strategies as discussed in Assessment Factor B.

The following three tables show our analysis of FTB's distribution of residential real estate loans pertaining to borrower income level. Table 3 shows FTB's total lending activity for all nineteen delineated communities and compares it to demographic data. Table 4 and 4A compares FTB's distribution of loans by MSA to loans for all financial institutions (aggregate market) within the bank's delineated communities.

TABLE 3

DISTRIBUTION OF FTB'S HMDA LOANS BY INCOME LEVEL OF BORROWER					
Income Level Category	% of Families within each Income Category	1995 Originations		1996 Originations	
		#	%	#	%
Low Income	20%	436	6%	384	5%
Moderate Income	17%	1,018	15%	1,094	13%
Middle Income	21%	1,563	22%	1,732	20%
Upper Income	42%	3,952	56%	4,953	59%
Income Not Available	--	58	1%	272	3%
Total	100%	7,027	100%	8,435	100%

Table 3 indicates 37% of the families within FTB's delineated communities are low- and



moderate-income families. During 1995 and 1996, 21% and 18% of FTB's residential real estate loans were made to low- and moderate-income individuals. This distribution of loans compared to demographic data reflects FTB has a reasonable distribution of loans.

TABLE 4

FTB 1995 HMDA Loans Geographic Distribution by Applicant Income						
MSA *	% of Low Inc Families	% of FTB loans to Low Inc Families	Market Average % to Low Inc Families	% of Mod Inc Families	% of FTB loans to Mod Inc Families	Market Average % to Mod Inc Families
Chattanooga	19	2	6	17	10	15
Jackson	22	3	5	18	4	17
Johnson City	20	3	8	17	8	16
Knoxville	20	4	7	17	16	17
Memphis	23	12	8	16	18	15
Nashville	20	5	6	17	20	17
MSAs Aggregated	21	7	7	16	15	16



TABLE 4A

FTB 1996 HMDA Loans Geographic Distribution by Applicant Income				
MSA*	% of Low Inc Families	% of FTB Loans to Low Inc Families	% of Mod Inc Families	% of FTB Loans to Mod Inc Families
Chattanooga	19	2	17	9
Jackson	22	2	18	7
Johnson City	20	2	17	11
Knoxville	20	5	17	14
Memphis	23	8	16	15
Nashville	20	3	17	15
MSAs Aggregated	21	5	16	14

Tables 4 and 4A show the distribution of HMDA loans by applicant income within the MSAs in 1995 and 1996. The 1995 percentages of bank loans to low and moderate income borrowers are compared to the percentages of families in that income level and to the market average percentage for all HMDA reporters. For 1995, the bank's lending patterns in these MSAs is reasonable. Generally, FTB's lending percentages to low and moderate income families are below the demographic percentage and below the market's average percentage. The Memphis MSA had the best performance of FTB's areas. The Memphis area had good performance with a higher percentage of loans to low and moderate customers than the market's average and even exceeded the demographic comparator for moderate families. FTB is the largest bank in the Memphis MSA. The Nashville and Knoxville MSAs also had above average performance in their 1995 lending percentages to moderate income families.

The 1996 FTB HMDA lending percentages were lower in the Memphis, Nashville and Knoxville markets to low and moderate income customers. The Jackson and Johnson City MSAs, however, had increased lending percentages to moderate income families in 1996. These lending patterns are also considered to be reasonable.



TABLE 5

DISTRIBUTION OF FTB'S HMDA LOANS BY CENSUS TRACT DESIGNATION					
CT Designation by Income Level	% of Families in Each CT Income Category	1995		1996	
		#	%	#	%
Low Income	6%	125	2%	177	2%
Moderate Income	16%	805	11%	840	10%
Middle Income	48%	2,984	42%	3,579	43%
Upper Income	30%	2,952	43%	3,818	45%
Information Not Available	--	161	2%	21	0%
Total	100%	7,027	100%	8,435	100%

Table 5 indicates 22% of the families within FTB's delineated communities reside in low- and moderate-income census tracts. During 1995 and 1996, 13% and 12% of FTB's residential real estate loans were made to individuals in low- and moderate-income census tracts. This distribution of loans compared to demographic data reflects FTB has a reasonable distribution of loans.

TABLE 6

FTB 1995 HMDA Loans Geographic Distribution by Census Tract						
MSA*	% of families in Low Inc CT	% of FTB Loans in Low Inc CT	Market Average % to Low Inc CT	% of families in Mod Inc CT	% of FTB Loans in Mod Inc CT	Market Average to Mod Inc CT
Chattanooga	6	1	2	10	4	8
Jackson	9	1	2	19	6	11
Johnson City	nil	0	nil	15	10	11
Knoxville	3	2	2	17	13	11
Memphis	13	3	4	21	15	12
Nashville	4	1	1	17	12	10
MSAs Aggregated	7	2	2	17	12	11



TABLE 6A

FTB 1996 HMDA Loans Geographic Distribution by Census Tract				
MSA*	% of Families in Low Inc CT	% of FTB Loans in Low Inc CT	% of Families in Mod Inc CT	% of FTB Loans in Mod Inc CT
Chattanooga	6	1	10	5
Jackson	9	nil	19	6
Johnson City	nil	0	15	9
Knoxville	3	2	17	14
Memphis	13	4	21	12
Nashville	4	1	17	11
MSAs Aggregated	7	2	17	11

Tables 6 and 6A show the distribution of HMDA loans by the income level of the census tracts within the MSAs in 1995 and 1996. The 1995 percentages of bank loans to families living in low and moderate income census tracts are compared to the percentages of families living in those income level census tracts and to the market average percentage to those tracts for all HMDA reporters.

Table 6 shows FTB 1995 lending percentages to customers in low income CTs are generally below the market average and the demographic comparator. The loans to moderate income CTs are above market average in the Memphis, Nashville and Knoxville MSAs as well as for the bank's MSA average. Overall, the bank's 1995 HMDA lending distribution by CT is reasonable.

The 1996 HMDA distribution by CT is similar to 1995 and is also considered reasonable. The lending percentage to moderate income CTs is lower in Memphis, Nashville MSAs, but has increased in Knoxville and Chattanooga MSAs. The FTB lending percentages are still below the demographic comparator for this year.



Table 7

FTB 1996 Auto Loan Geographic Distribution by Applicant Income *		
MSAs	% of LMI Income Families	% of Auto Loans to LMI Families
Chattanooga	36	30
Jackson	40	17
Johnson City	37	29
Knoxville	37	39
Memphis	39	26
Nashville	37	38
MSAs Aggregated	37	34

* Data supplied by the bank and is not verified by OCC personnel.

Table 7 above shows a geographic breakdown for 13,000 1996 auto loan originations by FTB. These 1996 loans were the only consumer data available for analysis. Overall, Table 7 shows a good distribution to low and moderate- income consumers. The Nashville and Knoxville areas have excellent percentages to their lower income customers.

Assessment Factor G) The institution's record of opening and closing offices and providing services at offices.

Conclusion:

- **FTB's branches and services are accessible to all segments of its delineated communities. The bank's record of opening and closing offices has not significantly affected the level of services available in low- and moderate income neighborhoods within its local communities.**

The bank currently operates 145 full service branches throughout its 19 delineated communities. Approximately 35% of FTB branches are located in low- and moderate-income areas. Business hours and services are tailored to meet the needs of individuals. Many offices have extended hours of operation on Fridays until 6:00 P.M.

The bank has a branch closing policy to help minimize the potential adverse impact of closings. Since January 1995, three full service branches have closed. The bank's record of closing offices has not significantly impacted the level of service available to low- and moderate-income areas. The bank has established fourteen new full service branches since January 1995. Seven of the new branch openings were associated with the purchase of The Community First Bank of Germantown located in the Memphis MSA.



IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D) Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Conclusion:

- **The bank solicits credit applications from all segments of its delineated communities. No practices intended to discourage applications were noted.**

Written policies and procedures to support non-discrimination in lending activities have been approved by the Board of Directors. Bank management regularly reviews the adequacy of these policies and procedures to ensure compliance with these laws and regulations. FTB's loan training includes sections on compliance with discrimination laws.

Assessment Factor F) Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion:

- **Our examination did not reveal any instances of prohibited discriminatory or other illegal credit practices.**

The OCC performed a comparative file analysis for discrimination in April, 1997. Using standard OCC examination procedures, a sample of 250 home improvement loan applications were reviewed. We compared approved white applicants to denied black applicants. The objective of this review was to determine similarly situated applicants received similar results from the bank's evaluation process.

Based on this sample, we did not detect any instances of disparate treatment or other illegal credit practices.

V. COMMUNITY DEVELOPMENT

Assessment Factor H) The institution's participation, including investment, in local community development and redevelopment projects or programs.

Conclusion:

- **FTB management and Board members are aware of community development/redevelopment programs within their delineated communities. Management and employees have maintained a very good level of participation in these programs through ongoing efforts.**

The bank has invested a total of \$41 million during 1995 and 1996. Of this amount, \$28 million supported affordable housing and \$13 million supported economic development or redevelopment projects. Examples of FTB's community development projects are detailed below.



MEMPHIS MSA

- In 1995, the bank granted a \$5.85 million loan to renovate a downtown building into affordable housing units. The bank also provided an additional \$3.0 million for working capital needs.
- FTB assisted the Nehemiah Housing Initiative (Shelby County Interfaith) in obtaining a \$50,000 grant from the Federal Home Loan Bank in Cincinnati. Grant proceeds will be used for down payment assistance to qualified applicants. Each eligible homeowner will receive a \$2,000 grant which will be used to reduce the first mortgage principal. This grant will be secured by a second mortgage which is forgiven after fifteen years. This project will consist of 166 single family housing units. FTB officers have taken a leadership position in this effort. They have helped train homeowner applicants, lobbied governmental agencies for help and spearheaded the grant request to the Federal Home Loan Bank. FTB has also provided grants for administrative costs. First Tennessee Bank is one of four major banks in Memphis supporting this project. The four banks will receive permanent financing of the loans on a prorated basis. \$100,000 has been committed by First Tennessee, along with credit counseling. FTB has not closed any loans to date.
- In 1995, FTB granted a \$7,500 loan to a Community Development Corporation (CDC) with proceeds used for daily operations of this entity. This CDC targets low income census tracts and provides community revitalization and economic development by providing affordable housing through the HUD 203 (k) program.
- In 1996, FTB issued a letter of credit for \$6.7 million to back the issuance of tax-free bonds for the construction of a 379 unit low- and moderate income apartment complex. The bank also provided a loan to Cornerstone for \$1.7 million to fund this project.
- In 1997, FTB provided a \$4.55 million loan to rehabilitation a 102 unit apartment project which will provide affordable housing to low- and moderate-income individuals.

CHATTANOOGA MSA:

- During the past two years, FTB has provided financing to the Chattanooga Neighborhood Enterprise, Inc. (CNE) for various purposes, detailed below. This is a private, non-profit organization created in 1986 to develop, finance, renovate, and manage affordable housing for low- and moderate income individuals in Chattanooga and Hamilton County. Funding is provided through government grant programs. CNE also provides client services ranging from budget counseling to life skills. In 1995 and 1996, CNE funded 405 (\$15 million) and 215 (\$8.6 million) loans respectively, for home purchase and home improvement purposes. FTB granted CNE a \$3.4 million loan to renovate the Grand Hotel and develop a 30 unit apartment building for low- and moderate-income housing needs, a \$1 million (FTB's portion was \$250,000) mortgage warehouse line of credit used for temporary funding of mortgages for low- and moderate-income home buyers, and a \$500,000 line of credit for working capital purposes. FTB personnel have also served in management roles within this organization.
- FTB provided \$2.7 million in permanent financing for eleven group homes for the mentally



handicapped.

KNOXVILLE MSA:

- FTB has granted two lines of credit totaling \$80,000 to a non profit organization that provides loans to small business that can not qualify for traditional bank financing. During 1995 and 1996, the non profit entity has used FTB's lines of credit to fund 33 loans totaling \$72,400 to small business owners. Small business loans can range from \$500 to a maximum of \$10,000. FTB is not involved in the credit decision process associated with the small business loans, but does provide training to small business owners.
- FTB purchased a \$787,500 bond issue for Sertoma Learning Center. Proceeds of the bond issue was to fund four group homes for mentally handicapped patients and provide office space and treatment facilities for these individuals.

NASHVILLE MSA:

- H & V LLC: In 1996, the bank provided a \$750,000 commercial loan to develop a 95 space mobile home park for low- and moderate-income individuals.
- Christian Manor II: This project is an affordable housing four story hi-rise building containing 60 units that will be owned and operated by an non-profit church group. The bank provided soft cost interim financing of \$11,500 for this project until HUD financing was obtained.

JOHNSON CITY MSA:

- Stewart Builders in Rogersville: In 1996, the bank provided a \$375,000 construction loan to build affordable housing in this area. The bank will finance up to 95 % of the sales price of these units.
- Cobblestone Place: This is a housing development for senior citizens. The bank provided funding for 10 units at a cost of \$150,000.

JACKSON MSA:

- Affordable Housing CDC: The bank provided \$10,000 seed money as a contribution. The CDC has constructed six houses, but no mortgages are held by First Tennessee Bank.

PUTNAM COUNTY (COOKEVILLE):



- Cookeville CityScope program: This is a Main Street USA program which makes loans available to individuals for acquisition or remodeling projects approved by the program at 1% below prime rate of the bank. During 1995-1996 there were ten projects approved and funded. Five of these projects were funded by First Tennessee Bank in Cookeville at a cost of \$565,000. Several other local banks also participate in this project.

GREENE COUNTY:

- Morgan Square Revitalization: FTB is the lead bank in a \$3.5 million loan to revitalize the downtown area (FTB portion of loan is \$1.8 million).

HAMBLEN COUNTY (MORRISTOWN)

- Lakeway Housing Development Corporation: This is a coalition of area banks which has committed to \$30,000 per year (FTB portion is \$5,000 per year) for a three year period to support the East Tennessee Housing Coalition (ETHCO) and Habitat for Humanity. ETHCO funding of \$11,407 was used to cover administrative expenses, soft costs, and utilities for one duplex which is now leased to two formerly homeless low income families. Habitat for Humanity received an \$8,000 grant from the corporation to purchase building materials for two new homes to be built on land that FTB purchased for them at a cost of \$6,000.

FTB officers and personnel have also provided technical and banking expertise to other community organizations such as: Memphis Multi-Bank CDC, Memphis Housing Authority, the Nashville Woodbine Community, and the Knoxville Community Development Housing Program.

Assessment Factor K) The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Conclusion:

- **There are no significant legal or financial impediments that exist to deter the bank from adequately servicing the credit needs of its community. The bank supports community revitalization projects consistent with its size and resources.**

The reader is directed to the introductory section of this Performance Evaluation for a more detailed discussion of the bank and its delineated community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.



Conclusion:

- **The bank engages in several other meaningful activities, not addressed under other performance categories, which enhance the bank's efforts to meet community credit needs and the non-credit banking needs of low- and moderate-income individuals.**

Examples of other activities which enhance the community are:

- The bank underwrites local municipalities through its bond division. In 1996, the bank underwrote \$180 million in municipal securities of which \$36 million were within the bank's delineated communities. This represents 20% of municipal underwriting in 1996. In 1995, the bank underwrote \$514 million in municipal securities of which \$140 million were within the bank's delineated communities. This represents 27% of municipal underwriting in 1995.
- The bank purchases municipal investments within the state of Tennessee. In 1995 FTB purchased \$774,000 in municipal securities within their designated delineated communities. There were no purchases made in 1996.
- Charitable contributions for education exceeded \$363,000 in 1995. Economic and community development contributions to various community organizations and groups exceeded \$430,000 in 1995.
- First Tennessee sponsors a Lesson Line in each of its 19 delineated communities. Lesson line is a state-of-the-art telecommunications system that allows teachers and principals to leave recorded messages regarding classroom information for parents. The bank's goal was to increase parental involvement in education. Lesson Line is offered to all schools, public and private, in every market served by First Tennessee. There are over 700 schools currently participating, representing approximately 26,000 teachers and almost 500,000 students across the state.
- Employee leadership in a variety of community, civic, and government organizations and groups within the various delineated communities.



ADDITIONAL INFORMATION

DEMOGRAPHIC DATA - DELINEATED COMMUNITIES				
MSA Delineated Communities	Population of Delineated Communities Based on 1990 Census Data	1996 HUD MSA Median Family Income	Low Income Families (% of Total Families)	Moderate Income Families (% of Total Families)
Chattanooga	285,536	\$36,600	19.5	16.5
Jackson	77,982	\$35,400	22.1	17.7
Johnson City	297,025	\$31,700	19.5	17.0
Knoxville	421,718	\$37,400	20.0	17.0
Memphis	826,330	\$39,500	23.2	15.5
Nashville	881,331	\$43,200	19.4	17.3
Other Counties	225,576	----	16% to 20%	14% to 18%